

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO
RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO,
et al.,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**STATUS REPORT OF THE PUERTO RICO FISCAL AGENCY AND FINANCIAL
ADVISORY AUTHORITY REGARDING THE GOVERNMENT OF PUERTO RICO'S
RECENT ACTIVITIES AND RESPONSE TO THE ONGOING COVID-19 PANDEMIC**

To the Honorable United States District Judge Laura Taylor Swain:

The Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), through its undersigned counsel, submits this status report on behalf of the Government of the Commonwealth of Puerto Rico (the "Government") in response to the Court's Order Regarding Procedures for the March 10-11, 2021 Omnibus Hearing [ECF No. 15902] and states as follows:

¹ The Debtors in these Title III cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the "Commonwealth") (Bankruptcy Case No. 17-BK-3283 (LTS)) (Last Four Digits of Federal Tax ID: 3481), (ii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566(LTS)) (Last Four Digits of Federal Tax ID: 9686), (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567 (LTS)) (Last Four Digits of Federal Tax ID: 3808), and (iv) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284 (LTS)) (Last Four Digits of Federal Tax ID: 8474); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-4780 (LTS)) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5233-LTS) (Last Four Digits of Federal Tax ID: 3801).

PRELIMINARY STATEMENT²

The Government's top priority continues to be safeguarding public health and safety, ensuring the provision of public services (including health services), addressing the economic distress caused by the COVID-19 pandemic and stimulating economic activity. As detailed below, Governor Pierluisi continues to implement measures addressing the significant public health, safety and economic challenges facing Puerto Rico, and to gradually continue re-opening Puerto Rico's economy and school system. In summary, tremendous progress has been made on many fronts; however, continued vigilance and prudence are still essential.

Since AAFAF's last update to the Court on January 26, 2021, the Government has focused its efforts on distributing vaccines to vulnerable segments of the population and maintaining protective measures aimed at diminishing the spread of COVID-19. Since the last update, and in part because of the Government's measures, hospitalizations due to the COVID-19 in Puerto Rico have declined from 312 to 152, which represents a 51% decline. Further, as of March 8, 2021, Puerto Rico had received 980,140 COVID-19 vaccine doses and administered 589,634 doses. On March 3, 2021, the Department of Health ("DOH") received the first shipment of the newly approved Johnson & Johnson COVID 19 vaccine and expects to receive more in the coming weeks. The arrival of the Johnson & Johnson vaccine will accelerate the vaccination process. Governor Pierluisi also continues to implement measures to curtail the spread of COVID-19 and the Government continues hosting COVID-19 testing events throughout Puerto Rico to monitor the spread of the virus and take reactive measures on a timely basis.

² Defined terms not otherwise defined herein shall have the same meaning given to them in *Status Report of the Puerto Rico Fiscal Agency and Financial Advisory Authority Regarding the Government of Puerto Rico's Recent Activities, Administration Transition and Response to the Ongoing Covid-19 Pandemic* (the "January Report") [ECF No. 15378].

Since the last update, the Government moved forward on public and private school re-opening, which will commence, **March 10, 2021**. As of the date of this status report, at least 83% of the public education system's personnel have received the first dose of the vaccine, and 42% are fully vaccinated. Taken together, the Government's measures will allow students and teachers to return to schools in a controlled, safe and measured manner. The Government expects that approximately 30,000 students will be returning to school in the coming weeks and months.

Finally, the Government continues assisting small businesses and municipalities harmed by COVID-19 pandemic by disbursing aid and implementing programs to promote economic activity.

RESERVATION OF RIGHTS

On March 8, 2021, the Financial Oversight and Management Board for Puerto Rico filed the Second Amended Title III Joint Plan of Adjustment of the Commonwealth, PBA, and ERS (the, "Plan of Adjustment") [ECF No. 15976], and the Disclosure Statement for the Plan of Adjustment (the, "Disclosure Statement") [ECF No. 15977]. AAFAF reserves the right to speak at the hearing in response to any statement by any other party about the Plan of Adjustment or the Disclosure Statement.

I. Executive Order to Control the Spread of COVID-19 and Ease Commercial Restrictions

1. On February 4, 2021, Governor Pierluisi signed Executive Order 2021-014 ("Executive Order 14") which modified the curfew and eased certain commercial and recreational restrictions established in Executive Order 10 (detailed in the January Status report). Executive Order 14 is in effect from February 7, 2021 until March 14, 2021. Among the new changes to commercial activities are the following:

- Mandatory curfew in effect from 12:00 a.m. until 5:00 a.m. and businesses that are allowed to operate must close by 11:00 p.m.
- Business that are allowed to operate may do so at 50% of their maximum capacity, maintaining a six feet distance among visitors, with the exception of restaurants, which must operate at 30% of their maximum capacity. Outdoor areas in restaurants may operate at their full capacity.
- Carry-out or delivery for food services are allowed Monday through Sunday until 12:00 am.
- Bars, nightclubs, and other similar establishments which engage primarily in the sale of alcoholic beverages for consumption must remain closed.
- Beaches are open but visitors must maintain a 10-foot distance and social gatherings with persons outside the same unit is prohibited. The use of beach chairs and umbrellas are allowed, but consumption of alcohol is prohibited.
- Common areas in housing complexes, such as pools, parks and gyms may open at a 50% maximum capacity, subject to social distance and safety measures.
- Marinas may open for all types of vessels, including those for recreational use. However, the use of recreational vessels among people outside of a same family unit and tying together various vessels is prohibited.

2. In order to achieve Governor Pierluisi's priority to reopen the educational system, Executive Order 14 provides for the gradual, partial re-opening of private and public schools compliance with directives from the Department of Education ("DOE") and the Department of Health ("DOH").

3. Governor Pierluisi will continue to work closely with experts from various sectors to monitor the spread of the virus in order to adopt or modify any necessary restriction that may be required on a timely basis.

II. Government Actions for the Gradual Reopening of Schools

4. On February 16, 2021, Governor Pierluisi signed Executive Order 2021-015 (“Executive Order 15”), which declared a state of emergency in Puerto Rico’s public schools, and ordered that public schools must be immediately conditioned to reopen. Executive Order 15 ordered government agencies to expedite the purchases of materials and services needed to begin in-person classes in the public education system.

5. Following the guidelines published by the Centers for Disease Control and Prevention (“CDC”), on February 19, 2021, the DOH issued a “*Protocol for the Surveillance of COVID-19 in the Puerto Rico's education sector in response and preparation for the opening of school*” (the, “Protocol”)³, which established the minimum requirements and detailed guidelines for the reopening of private and public schools. Among other things, the Protocol establishes:

- Specific instructions for students, teachers, and school employees to minimize the risk of infections.
- Detailed guidelines for the handling of positive or probable cases of COVID-19.
- Mitigation strategies and measures to be implemented in schools and classrooms to prevent the spread of the virus.
- Contact tracing strategies for the immediate identification of positive cases in schools.
- A compliance certification process for schools

6. On February 22, 2021, Governor Pierluisi signed Executive Order 2021-017 (“Executive Order 17”), which authorized the gradual and orderly reopening of public and private schools in Puerto Rico. Executive Order 17 requires public and private schools to comply with the DOH’s Protocol. In addition, Executive Order 17 also imposed the following requirements:

- Schools must register in a “BioPortal” created by the DOH, which is a web-based application used by laboratories and hospitals to report COVID-19 cases to the DOH.

³ See, <http://www.salud.gov.pr/Documents/Protocolo%20Escuelas%20PR%2020210219.pdf>

- Verify that the infrastructure and structure of individual schools are safe and limit the daily capacity of students who will attend the school in such a way that it is guaranteed at all times a six-foot distance between each person. It is recommended that classrooms operate at a 50% maximum capacity.
- Schools must have the necessary prevention equipment, such as thermometers for taking the daily temperature, as well as masks and disinfectants in all classrooms. Students and staff are required to use masks to cover the nose and mouth.
- Schools must have a nurse available for staff and students.
- Limit the use of shared objects, such as physical education equipment, school supplies, art, games, among others.

7. Prior to reopening schools, the directors of public and private schools must submit a declaration of compliance to the DOH. The DOH will evaluate the submission, and if it finds that it complies with the applicable requirements, issue a preliminary certification of compliance, which will allow the school to begin in-person classes. The preliminary certification of compliance is subject to a subsequent inspection by the DOH, which will issue a final certification of compliance if the school complies with the safety guidelines.

8. During the first phase of the reopening of the public education system, schools will implement a hybrid teaching system, combining in-person classes and virtual formats. Students will arrive at schools in a gradual and staggered manner, beginning on March 10, 2021, during special hours. Parents will decide whether to send minors to schools. Moreover, parents or tutors who wish to visit the schools to evaluate the measures taken prior to sending their children may do so by appointment, in coordination with the school administration. The DOE has announced that 44 schools will open on March 10, 2021; this number is expected to increase in the coming

weeks. The DOE estimates that approximately 30,000 students will return to schools and receive in person-classes during the first phase of reopening.

9. As detailed in the January Report, the DOH and the Puerto Rico National Guard have established and implemented an aggressive program to provide vaccines to public and private teachers, and other personnel of the DOE, in preparation to reopen schools. As of March 2, 2021, 83% of the public education system's personnel have received the first dose of the vaccine, while 42% have received the second dose, and 94% of public school bus drivers have been vaccinated. With regard to private school teachers, 76% have received the first dose of the vaccine, while 31% are fully vaccinated.

III. Status of COVID-19 Vaccination Process and Massive Testing

10. Since the last Status Report, the Government has focused efforts on: distributing vaccines to certain segments of the population; providing aid and supporting municipalities to effectively distribute vaccines; and partnering with non-profit entities to ensure a wide distribution.

11. On January 26, 2021, the Federal Emergency Management Agency ("FEMA") awarded \$76.6 million to the DOH to reimburse costs associated with emergency protective measures taken by the Government and municipalities to store, handle, transport, distribute and administer vaccines to reduce the spread the of the COVID-19 virus.⁴

12. As of March 8, 2021, Puerto Rico had received 980,140 doses and administered 589,634 doses of the COVID-19 vaccines⁵. On March 3, 2021, the DOH received 11,000 doses of the recently approved Johnson & Johnson COVID 19-vaccine, and expects to continue to receive shipments of the Pfizer, Moderna and Johnson & Johnson vaccines in the coming weeks.

⁴ See, <https://www.fortaleza.pr.gov/content/gobernador-pedro-pierluisi-anuncia-100-millones-para-los-municipios>

⁵ See, <https://covid19datos.salud.gov.pr>

13. The distribution of the COVID 19 vaccine continues to be carried out in phases. The DOH's priority continues to be providing vaccines to health professionals, senior citizens and employees in nursing homes, educational system employees, first responders and persons aged 65 or older.

14. To accelerate and facilitate the distribution of vaccines, the Government has also partnered with various non-profit entities to assist in vaccination efforts. For example, the Government has partnered with "VOCES- Coalición de Vacunación de Puerto Rico" and other foundations to create vaccination centers across Puerto Rico to administer vaccines to the permitted sectors of the population. Moreover, the DOH has also launched an educational campaign to encourage individuals to get vaccinated. On March 11, 2021, individuals over 60 with certain medical conditions will be able to receive the vaccine.

15. As detailed in the January Report, the DOH has also developed a strategic plan for massive COVID19- testing across the island, so that all Puerto Ricans have access to the COVID-19 test, as mandated by Executive Order 2021-001. To date, the DOH has celebrated 185 events and provided free antigen tests to 146,822 individuals.

IV. Update on COVID-19 Infections and Hospital Capacity

16. The DOH continues to focus its efforts on tracking and combating the COVID-19 crisis. As detailed in the previous reports, the DOH maintains a "dashboard", through which it provides daily updates on the COVID-19 crisis.⁶ As of March 8, 2021:

- Puerto Rico had 93,893 confirmed cases, 8,044 probable cases, and 2,066 deaths.
- Over 407,000 serological and molecular COVID-19 tests have been performed.⁷

⁶ See, <https://covid19datos.salud.gov.pr>

⁷ See <https://coronavirus.jhu.edu/region/us/puerto-rico>

- 1,379 ventilators are in stock and available to be used in Puerto Rico, of which 406 are in use at this time. Of these, 34 are pediatric ventilators.
- 152 patients are currently hospitalized due to COVID-19 of whom 16 are in intensive care, and 15 are using ventilators.
- 4,010 adult beds and 465 pediatric beds are currently in use out of a total 6,898 and 676 hospital beds, respectively.

V. Update on Funding Related to COVID-19 and Disaster Relief Funds

A. Federal Funding Under the Coronavirus Relief Fund

a. Update on Disbursements of CRF

17. As of March 5, 2021, the Government has disbursed approximately \$1.7 billion of the \$2.2 billion it has received under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and Coronavirus Relief Fund (“CRF”). AAFAF has published a report detailing the use of these funds and the disbursements made as of March 5, 2021 which is available at <https://www.aafaf.pr.gov/wp-content/uploads/crf-strat-disbmt-plan-fund-rep-3-05-2021.pdf>.

b. Business Interruption Grant Program

18. As detailed in previous reports, on May 15, 2020, the Governor of Puerto Rico issued Executive 2020-040 (“Executive Order 40”), which adopted a Strategic Disbursement Plan (the “Strategic Disbursement Plan”) for the \$2.2 billion of CRF funds allocated to Puerto Rico under the CARES Act. The Strategic Disbursement Plan allocates funding for three main components: (i) testing, contact tracing, isolation and treatment; (ii) reactivating the economy and protecting jobs; and (iii) Government service continuity. To ensure the expeditious processing of apportioned funds from the CRF program of the CARES Act, Executive Order 40 also established a Disbursement Oversight Committee, consisting of the Executive Director of AAFAF as its

Chairman, the Secretary of the Department of the Treasury and the Director of the Office of Management and Budget.

19. On January 5, 2021, Governor Pierluisi signed Executive Order 2021-010 (“Executive Order 10”) to ease certain commercial restrictions and implement measures to stabilize the economy. Among other things, Executive Order 10 also established a program for economic assistance to small businesses, whose operations were interrupted by the ongoing lockdowns and commercial restrictions implemented by the Government in response to the ongoing COVID-19 pandemic and which have not been able to participate of the Payment Protection Program Loans issued by the U.S. Small Business Administration (“SBA PPP”) established by the CARES Act (the “Business Interruption Grant Program”). The Department of Treasury will distribute \$65 million of CRF funds to eligible small business owners through the Business Interruption Grant Program.

20. On January 26, 2021, AAFAF published detailed guidelines, which outline the eligibility requirements to participate in the Business Interruption Grant Program (the, “Guidelines”).⁸ Among other things, the Guidelines provide that applicants must meet the following criteria:

- Must have been operating one of the following as the main trade or business activity: restaurant or bar, gym or fitness center, event space, concert venue or performing art venue, theater or cinema and other indoor recreation, and/or support services for arts events.
- No more than 6 employees for whom it paid salaries and payroll taxes at any time during the first quarter of the calendar year 2020; or had independent contractors to whom was paid at least \$5,000 during calendar year 2019 and an Informative Declaration for Services Paid was filed for such payments.

⁸ See, https://www.aafaf.pr.gov/wp-content/uploads/Guidelines_CRF_BI_Grants_Program.pdf

- Must have a volume of business of \$3,000,000 or less during the calendar year 2020.
- Must have incurred in monetary losses due to the business interruption caused by the COVID-19 pandemic emergency.
- Must have not received a loan disbursement under the SBA PPP program.
- Must have incurred or planned to incur in necessary expenditures related to the COVID-19 emergency and maintain documentation that reliably demonstrates those expenses.
- Commit to abiding by the terms and conditions of the Business Interruption Grant Program, including requests for documentation and auditing requests.
- Must use the proceeds of the grant exclusively for costs and losses incurred due to business interruption or other adverse conditions caused by the COVID-19 pandemic.

21. The amount available under the Business Interruption Program for each eligible applicant will be the lesser of:

- \$5,000 in the case of an eligible applicant with no employees at any time during the first quarter ended March 31, 2020, and no independent contractors to whom was paid not less than \$5,000 during calendar year 2019;
- \$8,000, in the case of an eligible applicant with: At least one (1) but no more than two (2) employees at any time during the first quarter ended March 31, 2020; or at least one (1) but no more than two (2) independent contractor(s) to whom was paid not less than \$5,000 for services during calendar year 2019;
- \$15,000, in the case of an eligible applicant with: At least three (3) but no more than six (6) employees at any time during the first quarter ended March 31, 2020; or at least three (3) but no more than six (6) independent contractors to whom was paid not less than \$5,000 for services during calendar year 2019.

22. On February 1, 2021, the Department of Treasury opened the application process for the Business Interruption Program Grant and will continue to process applications until the funds are exhausted. The applications will be processed on a first come first served basis.

c. Aid to Municipalities

23. On February 17, 2021, Governor Pierluisi announced the distribution of \$100 million of CRF funds to aid Puerto Rico's 78 municipalities. Each municipality will receive \$1 million and the remaining \$22 million will be distributed among the municipalities with the greatest economic difficulties to guarantee the provision of urgent and emergency services related to the pandemic. With this distribution, the municipalities have received a total of \$300 million of CRF funds to battle the COVID-19 pandemic.

d. Second Round of Economic Impact Payments

24. With regard to the second round of economic impact payments detailed in the January Report, the Department of Treasury has disbursed more than \$1.4 billion to approximately 1.7 million families.⁹

B. Update on Disbursements Under the Emergency Measure Support Package

25. With regard to the COVID-19 Emergency Measure Support Package detailed in the previous reports, as of March 5, 2021, the Government has disbursed \$517 million out of the \$787 million approved in the package. AAFAF has published a report detailing the use of these funds and the disbursements made during the current fiscal year, which is available at <https://www.aafaf.pr.gov/wp-content/uploads/covid-19-emer-meas-sup-pack-rep-3-05-2021.pdf>.

⁹ See, <http://www.hacienda.gobierno.pr/sobre-hacienda/sala-de-prensa-virtual/comunicados-de-prensa/hacienda-envia-mas-de-14-billones-del-pago-de-impacto-economico-de-600>

C. Update on Disaster Relief Funds ¹⁰

26. The Government continues to coordinate relief and funding efforts to address the natural disasters that have affected Puerto Rico in recent years, including the continued recovery following Hurricanes Irma and Maria and the earthquakes that impacted (and continue to impact) the southern and southwestern part of Puerto Rico.

27. As of March 1, 2021, approximately \$67.4 billion has been appropriated by the United States Congress to Puerto Rico for disaster relief and recovery efforts. Of this amount, approximately \$43.2 billion has been committed by federal agencies for distribution and \$18.3 billion has been disbursed. Of the amounts obligated and disbursed, FEMA has approved approximately \$33.9 billion and disbursed approximately \$14.3 billion of the total amounts detailed above. The use of these funds is detailed by the Government on the COR3 website and can be accessed at: <https://recovery.pr/en>.

¹⁰ The data and information provided herein has been obtained by AAFAF directly from the Central Office of Recovery, Reconstruction and Resiliency (COR3).

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San Juan, Puerto Rico

Respectfully submitted,

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